saho

Saskatchewan Association
of Health Organizations

ANNUAL REPORT • 2011 – 2012

saho
Saskatchewan Association
of Health Organizations

What is SAHO

The Saskatchewan Association of Health Organizations (SAHO) is a non-profit organization that plays a critical role within Saskatchewan's health system. SAHO links together the province's health organizations and agencies from across the province, creating a strong, integrated health sector. SAHO provides a range of services to over 140 member organizations that includes:

- Managing the province's health sector human resources payroll system, which supports more than 40,000 health care employees;
- Representing employers in collective bargaining with health care unions;
- Providing consultation on a range of human resource issues;
- Organizing an annual conference and other professional development programs for health sector employees;
- Managing benefit plans for 40,000 health system employees; and
- Coordinating health system group purchasing contracts.

SAHO enables health organizations to work together to reduce health system costs and improve consistency and quality in health care administration and services across the province.

Common Goals...
Shared Solutions

SAHO Governance

SAHO's membership includes the province's 12 health regions, the Saskatchewan Cancer Agency and approximately 130 other agencies.

SAHO is governed by a 14-member board made up of one representative from each of the health regions and the Saskatchewan Cancer Agency, along with one member from the organization's affiliate members

SAHO Board of Directors

Greg Kobylka, Chair,
Sunrise Regional Health Authority

Tyler Bragg,
Cypress Regional Health Authority

Betty Collicott,
Five Hills Regional Health Authority

Richard Anderson,
Heartland Regional Health Authority

Duane Favel,
Keewatin Yatthé Regional Health Authority

Kathy Bedard,
Kelsey Trail Regional Health Authority

Ronald Woytowich,
Mamawetan Churchill River Regional Health Authority

Bonnie O'Grady,
Prairie North Regional Health Authority

Brenda Abrametz,
Prince Albert Parkland Regional Health Authority

Lloyd Boutilier,
Regina Qu'Appelle Regional Health Authority

Jim Rhode,
Saskatoon Regional Health Authority

Sharon Bauche,
Sun Country Regional Health Authority

Dr. J. Stewart McMillan,
Saskatchewan Cancer Agency

Karen Knelsen,
Affiliate Representative

Report from the Interim CEO

The past year has been extremely busy and productive for SAHO and the staff of the organization.

SAHO has continued the administration of employee benefits for over 100 member organizations representing about 40,000 employees. Nine different benefits plans are coordinated by SAHO staff. Payments to health care employees covered by the plans exceeded $90 million in 2011. The Employee Benefits Committee, reporting to the Board, works with employer and union representatives to maintain the advantages of a group benefits program.

2011 saw the beginning of the administration of the Flexible Benefits Plan for out of scope employees across the province, with about 2350 employees signed up.

In May, 2011 the iHRIS system was launched, merging the benefits and payroll data systems into a single integrated system. With the cooperation of the health regions and Saskatchewan Cancer Agency, enhancements have been issued in quarterly new releases. This system represents another achievement in efficiencies and customer service for employer organizations.

Collection and analysis of data from the payroll system continues to provide valuable and detailed information about the provincial health care work force, trending and planning for the future. The payroll area of SAHO processed payroll for over 40,000 employees throughout the province.

A new initiative, the Workflow Management and Self Services project, was started by the health regions, Saskatchewan Cancer Agency (SCA) and SAHO in 2009. The first phase of the project standardized human resources processes throughout the province and Phase Two began implementation in the fall of 2011. Employees of each health region, SCA and SAHO committed significant time to automate the standardized HR processes through a provincial, secure web portal branded as My Gateway Online. Already implemented in a number of employer organizations are electronic pay statements, saving the costs associated with printing and distributing paper copies of earnings statements to thousands of employees every two weeks.

Throughout the past twelve months the Materials Management staff has transferred, as they have come due for renewal or tendering, additional group purchasing contracts to the national purchasing agency HealthPRO. Representatives from the health regions have provided input and clinical expertise on Advisory committees to ensure that appropriate quality and standards of products are purchased for use by our members. The savings realized by standardizing products and consolidating purchasing contracts have totaled over $5 million this year.

SAHO also represented the Saskatchewan health sector with the Western Collaboration and led the initiative to consolidate purchasing of oncology products for the Saskatchewan Cancer

Agency, Alberta Health Services and Cancer Care Manitoba. Savings for the three provinces as a result of the partnership are $4 million and $1.2 million for Saskatchewan alone.
Health regions, the Cancer Agency and SAHO have also collaborated on implementing the GHX procurement technology enabling the organizations to standardize and automate the supply chain inventory and invoicing processes. The health sector expects to achieve savings of about $5 million annually as a result of implementing the inventory technology.

SAHO participated with the rest of the health sector and the Ministry of Health in understanding and adopting quality improvement and lean initiatives in our operations. Over 40% of the SAHO staff have been directly involved in identifying opportunities to streamline processes for the benefit of internal and external customers. The partnership continued with the Health Quality Council to organize the 2nd Health Care Quality Summit in April, 2012. The conference showcased success within Saskatchewan in leading the way for health care transformation through a focus on quality improvement.

The small Shared Services Office created two years ago to build the model for increased shared services in Saskatchewan health, closed on March 31. Work initiated by the office will be transferred to Health Shared Services Saskatchewan (3sHealth). This work includes collaboration with the health regions and SCA to research and evaluate a provincial laundry strategy to ensure safe working conditions, quality service and cost efficiencies. A provincial Voice Over Internet Protocol (VOIP) strategy is also well underway to save costs in the health sector and contract negotiations are underway with the vendor.

The Labour Relations area of SAHO completed negotiations with the Health Sciences Association of Saskatchewan (HSAS) in the summer of 2011 and with the Retail, Wholesale and Department Store Union (RWDSU) representing laundry workers at Regina Qu'Appelle Health Region late last year. Administration of the market supplement program and Joint Job Evaluation maintenance processes have continued throughout the year. Labour Relations consultants prepared for bargaining with the Saskatchewan Union of Nurses (SUN) and provider group unions (CUPE, SEIU-West and SGEU) for collective agreements that expired March 31.

As indicated at the AGM last year, the Saskatchewan health sector has embarked on a journey to transform the system to patient focused care. The role that SAHO plays is one of coordinating and delivering increased shared services at a standard of quality and efficiency that results in the ability to redirect resources to direct patient care. Shared services delivered by SAHO over the past several years will continue to be provided to organizations within the health sector, but with a renewed focus on looking for further efficiencies while maintaining a high level of customer service.

Additional shared services opportunities will be identified by the Saskatchewan Cancer Agency and the health regions and affiliated agencies. It is anticipated that by selecting and coordinating more shared services in the administrative areas, further efficiencies will be incorporated into health sector operations and additional resources can be redeployed to support direct patient care.

Dale Markewich

Dale Markewich
Interim President & CEO, SAHO

Report from the Board

SAHO has embarked on significant change over the past couple of years in order to respond to the needs of our members. We have refocused our work on providing and enhancing shared services to realize efficiencies, work force productivity and cost containment. This has been our focus since we redirected priorities from the advocacy work we once performed.

Listening to member concerns and feedback, observing the trends, and paying attention to the budget constraints identified by governments have helped to solidify the collaboration and partnership between the regional health authorities, the Saskatchewan Cancer Agency, SAHO, the Ministry of Health and other agencies. The collaboration is leading to innovative approaches and solutions as we assist in transforming the health care landscape.

Together we have made significant progress towards a number of provincial objectives over the past year:

> The Ministry of Health, health regions, SCA and other health sector organizations are collaborating on understanding and implementing provincial objectives to ensure that the Saskatchewan health system is the best it can be. Agreement on targets and measures are part of the strategy deployment – we know that better planning will produce better results.

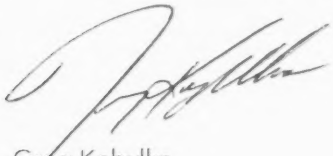
Organizing work to ensure that our human resources are positioned to provide quality service and patient care is critical to our success. Automating HR processes over the next two years will enable health sector employees to have more timely access to information and ensure their personal information is more accurate. By using a web based portal, employees will have access to the information 24 / 7, wherever and whenever they have internet access.

Cost savings and cost containment can be, and has been, achieved by reviewing existing processes and services, and adopting or implementing solutions that work for everyone. Province wide collaboration and input have led to standardized provincial solutions that result in cost savings. The health system has been able to leverage cost savings through standardized products; group procurement contracts, sometimes with national or inter-provincial partners; and by automating the ordering, inventory and invoicing functions of the supply chain.

SAHO has been honoured to be a part of the provincial collaboration work to transform the health care system. The recommendation from the Shared Services Office, and the decision by provincial leaders, to proceed with more shared services, and to build on the foundation provided by SAHO, is a win-win situation for Saskatchewan health care.

Another important step was taken on April 17, 2012 at the SAHO Annual General Meeting when the members present voted unanimously to formalize the creation of a new organization – Health Shared Services Saskatchewan (3sHealth). 3sHealth will assume the shared services work established by SAHO and the Shared Services Office, and SAHO will operate as the representative employer for collective bargaining interpretation and negotiation.

The health regions and affiliated agencies, Saskatchewan Cancer Agency, and 3sHealth have the opportunity to work together to identify, design and deliver selected business and clinical support services to enhance and improve health system quality, and to achieve cost savings to support reinvestment into direct patient care.



Greg Kobylka
SAHO Board Chair

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www.saho.org

September 14, 2012

Management's Responsibility for Financial Statements

The Saskatchewan Association of Health Organization's financial statements and all the information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. Management is responsible for the reliability and integrity of the financial statements and other information contained in the Annual Report. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Management maintains a comprehensive system of internal controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the internal audit department.

Provincial Auditor Saskatchewan, the external auditor appointed by the Board of Directors, has audited the financial statements. The Auditor's Report outlines the scope of her examination and her opinion. The external auditor has unrestricted access to management and the Board of Directors to discuss results of the audit work and her opinion on the adequacy of internal financial controls and the quality of financial reporting.

Kendell Arndt
Acting Vice-President,
Corporate Services

Marty Peterson
Director,
Finance & Administrative Services

800 - 2002 Victoria Avenue, Regina, Saskatchewan S4P 0R7 tel 306.347.5500 fax 306.347.525.1960

Financial Statements

For the Year Ended March 31, 2012

2011 – 2012 Annual Report

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of Health Shared Services Saskatchewan
(formerly known as Saskatchewan Association of Health Organizations)

I have audited the accompanying financial statements of the Saskatchewan Association of Health Organizations (SAHO), which comprise the statement of financial position as at March 31, 2012, and the statement of changes in net assets, statement of operations, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of SAHO as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
September 18, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

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SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
Statement of Financial Position
As at March 31

	2012	2011
ASSETS		
Current Assets		
Cash	$ 955,800	$ 433,900
Short term investments (Note 3)	20,430,700	22,405,800
Accounts receivable (Note 9, 12)	5,733,800	1,599,500
Prepaid expenses	325,200	280,000
Total Current Assets	27,445,500	24,719,200
Capital assets (Note 4)	282,800	294,600
TOTAL ASSETS	**$ 27,728,300**	**$ 25,013,800**
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9, 12)	$ 2,738,200	$ 1,965,400
Unearned revenue (Note 5)	932,400	1,013,500
Total Current Liabilities	3,670,600	2,978,900
Deferred contributions (Note 6)	20,924,800	18,969,800
Total Liabilities	24,595,400	21,948,700
Net Assets		
Operating fund:		
Invested in capital assets	282,800	294,600
Unrestricted	1,296,700	1,382,800
Internally restricted funds (Note 7)	1,553,400	1,387,700
Total Net Assets	3,132,900	3,065,100
TOTAL LIABILITIES AND NET ASSETS	**$ 27,728,300**	**$ 25,013,800**

Contingencies (Note 8)

See accompanying notes

Approved by the Board of Directors:

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
Statement of Changes in Net Assets
For the year ended March 31

	2012				2011
	Invested in capital assets	Unrestricted	Internally restricted fund	Total	Total
Net assets, beginning of year	$ 294,600	$ 1,382,800	$ 1,387,700	$ 3,065,100	$ 2,879,600
Excess/(shortfall) of revenue over expenses	(105,300)	192,900	(19,800)	67,800	185,500
Transfer between funds for:					
Internal Restrictions (Note 7)	-	(185,500)	185,500	-	-
Purchase of capital assets	93,500	(93,500)	-	-	-
Net assets, end of year	**$ 282,800**	**$ 1,296,700**	**$ 1,553,400**	**$ 3,132,900**	$ 3,065,100

See accompanying notes

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
Statement of Operations
For the year ended March 31

	(Unaudited) 2012 BUDGET	2012	2011 (Note 16)
UNRESTRICTED FUND			
REVENUE:			
Membership Fees	$ 1,631,300	$ 1,630,000	$ 1,584,500
Service Agreement Fees	3,042,400	2,671,200	2,631,700
Cost Recoveries - Employee Benefit Plans (Note 9)	6,027,500	5,137,100	5,338,500
- Shared Services (Note 6(vi))	67,600	6,146,900	761,300
- Provincial EFAP	-	536,400	-
- Nursing Program (Note 6(i))	-	4,195,000	12,435,000
- Pandemic supplies	-	-	252,600
- Other recoveries	2,532,900	3,226,500	3,542,600
Other Revenue - Service revenue	3,072,600	3,053,100	2,698,600
- Conference	181,700	188,300	224,500
- Workshops	-	75,100	344,300
- Investment income (Note 3)	60,000	88,800	54,700
- Other	73,500	1,882,800	774,100
TOTAL REVENUE	**$ 16,689,500**	**$ 28,831,200**	$ 30,642,400
DEPARTMENT EXPENSES:			
Administration	$ 854,500	$ 1,113,600	$ 1,176,200
Employee Benefit Plans (Note 9)	6,027,500	5,137,100	5,338,500
Information Services	3,495,700	3,670,500	3,322,600
Labour Relations	2,577,400	3,398,700	3,148,100
Materials Management	345,400	323,100	460,400
Member Relations & Communications	558,500	510,200	967,400
Specific program expenses:			
Shared Services (Note 6 (vi))	67,600	6,146,900	761,300
Provincial EFAP	-	536,400	-
Nursing Program (Note 6(i))	-	4,195,000	12,435,000
Other	2,762,900	3,712,100	2,844,600
TOTAL DEPARTMENT EXPENSES [Schedule 1]	**$ 16,689,500**	**$ 28,743,600**	$ 30,454,100
EXCESS OF REVENUE OVER EXPENSES, BEFORE LOSS ON DISPOSAL OF CAPITAL ASSETS	**$ -**	**$ 87,600**	$ 188,300
Loss on disposal of capital assets	-	-	(500)
EXCESS OF REVENUE OVER EXPENSES, UNRESTRICTED FUND	**$ -**	**$ 87,600**	$ 187,800
INTERNALLY RESTRICTED FUND			
Expenses from internally restricted funds (Note 7):			
Payroll system control audit	-	(19,800)	-
Saskatoon office transition	-	-	(2,300)
EXCESS OF EXPENSES OVER REVENUE, INTERNALLY RESTRICTED FUND [Schedule 1]	**$ -**	**$ (19,800)**	$ (2,300)
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	**$ -**	**$ 67,800**	$ 185,500

See accompanying notes

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
Statement of Cash Flows
For the year ended March 31

	2012	2011
Operating activities		
Excess of revenue over expenses	$ 67,800	$ 185,500
Items not involving cash:		
Amortization (Note 4)	105,300	103,200
Loss on disposal of capital assets	-	500
Change in non-cash working capital items:		
Accounts receivable	(4,134,300)	788,500
Prepaid expenses	(45,200)	(45,900)
Accounts payable and accrued liabilities	772,800	(11,530,100)
Unearned revenue	(81,100)	(148,700)
Deferred contributions	1,955,000	(6,542,100)
Cash used in operating activities	(1,359,700)	(17,189,100)
Financing and investing activities		
Purchase of investments	(37,577,100)	(32,227,600)
Disposal of investments	39,552,200	49,476,100
Purchase of capital assets	(93,500)	(44,200)
Proceeds on disposal of capital assets	-	24,000
Cash provided by financing and investing activities	1,881,600	17,228,300
Increase in cash for the year	521,900	39,200
Cash, beginning of year	433,900	394,700
Cash, end of year	**$ 955,800**	$ 433,900

See accompanying notes

1. NATURE OF OPERATIONS

The Saskatchewan Association of Health Organizations (SAHO) was created pursuant to *An Act to Incorporate Saskatchewan Health-Care Association* enacted by the Legislative Assembly of Saskatchewan on January 28, 1976.

The purpose of SAHO is to provide leadership, support and services that will assist its membership in effectively delivering a comprehensive range of health services to the people of Saskatchewan. SAHO also provides administrative services to the employee benefit plans (note 9).

SAHO is governed by a board of 14 directors consisting of one director appointed by each of the 13 governing member organizations and one director elected by the affiliate class of member organizations.

SAHO is a registered charity and as such uses accounting policies applicable to not-for-profit entities.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies:

Fund accounting

SAHO utilizes the following funds:

(i) Operating fund
This fund is used for the general operations of SAHO and consists of funds invested in capital assets and unrestricted operating funds. All operating transactions are recorded in the accounts of this fund.

(ii) Internally restricted fund
This fund has been internally restricted by the board of directors and is used to provide funds for future expansions, major repairs, or other initiatives at the discretion of the board. These internally restricted amounts are not available for other purposes without approval of the board of directors.

For financial reporting purposes, the Statement of Financial Position combines the assets and liabilities of all funds. The Statement of Operations classifies the revenue and expenses of each fund separately.

Financial instruments

All financial instruments that are financial assets or financial liabilities have been identified and classified. The classification determines how each financial instrument is measured. SAHO's financial instruments and their classifications are as follows:

(i) Short term investments
Short term investments are classified as held-for-trading and are measured at fair value. SAHO's short term investments consist of holding units of a Canadian money market fund. Fair value is

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
Notes to Financial Statements
March 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Short term investments (continued)
determined based on the published quote for the Canadian money market fund (note 3). Held-for-trading was selected as this classification reflects SAHO's investment intentions. Any changes in the fair value are recognized in the Statement of Operations. Distributions from the Canadian money market fund in the form of interest income are recognized in income as they are earned. Transaction costs are expensed as incurred.

(ii) Cash, Accounts receivable and Accounts payable and accrued liabilities
Cash is classified as held-for-trading and is recorded at fair value. Accounts receivable are classified as loans and receivables while accounts payable and accrued liabilities are classified as other liabilities. Each of these financial instruments is measured at amortized cost which approximates their fair value due to their short term nature.

Revenue recognition

SAHO follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Membership fees are recognized as revenue in the year to which the fees relate. Any membership fees received in advance are deferred to the following fiscal year.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided on the straight-line basis over the following terms:

Leasehold improvements	Term of lease
Furniture and equipment	4 – 10 years
Computer equipment	2 years

50% of the annual amortization is recorded as expense in the year of acquisition and in the year of disposal.

Deferred contributions

Deferred contributions represent service agreement fees, grants and contributions received for expenses that SAHO has not yet incurred.

Interest revenue

Interest earned on investments held for certain deferred contributions are added to deferred contributions when required by external restrictions. All other earned interest is recorded as income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of expenses

The majority of the costs incurred by SAHO's departments are charged directly to the applicable area. Some costs, such as lease and certain personnel costs are allocated to departments using a systematic and rational basis. Those bases are applied consistently each year and are as follows:

- lease costs are proportionately based on the area occupied by a department; and
- personnel costs are based on the percentage of time a particular position spends supporting various department(s) within SAHO.

Schedule 1 discloses the breakdown of SAHO's expenditures by type of expenditure while note 13 provides details of the allocated expenses.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future years.

Income taxes

SAHO is not subject to income tax as specified in its Act of Incorporation and is a registered charity with the Canada Revenue Agency.

Future change in accounting policy

The Canadian Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have each developed new accounting frameworks applicable to Canadian not-for-profit organizations that are in either the private or public sectors. Both of these frameworks are applicable for fiscal years beginning on or after January 1, 2012. The AcSB framework allows a choice between International Financial Reporting Standards (IFRS) and Canadian accounting standards for not-for-profit organizations. The PSAB framework utilizes public sector accounting rules with the option of using existing not-for-profit accounting rules.

SAHO has analyzed the above accounting framework options along with the events that have occurred subsequent to year end (see Note 15), and has determined that the PSAB framework with the option of using the not-for-profit accounting rules (the Framework) is the applicable accounting framework. The Framework will be adopted retroactively with restatement by SAHO effective April 1, 2012. The adoption of the Framework will change the format of the financial statements and may materially change amounts recorded in the financial statements.

3. FINANCIAL INSTRUMENT RISK MANAGEMENT

Credit risk

Credit risk arises from the potential for issuers of securities and counterparties to default on their contractual obligations. SAHO limits credit risk by dealing with issuers that are considered to be investment-grade quality and minimizes undue concentration of assets in any single geographic area, industry and company.

Short term investments consist of investments in the Canadian money market fund, which invests in high quality short term obligations issued or guaranteed by Canadian governments, banks or trust companies registered in Canada with a maximum term to maturity of one year. SAHO requires a minimum credit rating of R1 low or equivalent. Earnings of the Canadian money market fund are reinvested within the fund.

SAHO's maximum credit risk exposure related to financial assets is as follows:

Cash	$	955,800
Short term investments		20,430,700
Accounts receivable		5,733,800
	$	27,120,300

		2012		2011	
Investment Type	**Credit Rating**	**Cost**	**Market Yield (%)**	Cost	Market Yield (%)
Short term funds	R1 high to R1 mid	$ 20,430,700	0.96 - 1.21	$ 22,405,800	0.36 - 1.09

	2012	2011
Total investment income earned in the year	$ 186,100	$ 208,100
Less amount allocated to deferred contribution accounts	(97,300)	(153,400)
Total investment income recognized as revenue	$ 88,800	$ 54,700

SAHO is exposed to credit risk from the potential non-payment of Accounts receivable; however SAHO does not anticipate such an event to occur as the majority of the receivables are from related parties (note 12) and are collected monthly.

3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Determination of fair value

The best evidence of fair value is from an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

- Level 1 – quoted prices in active markets are readily available.
- Level 2 – valuation models using observable market inputs other than quoted market prices.
- Level 3 – models using inputs that are not based on observable market data.

The fair values of SAHO's financial assets at March 31, 2012 and March 31, 2011 used Level 1 basis of fair values.

Liquidity risk

Liquidity risk is the risk that SAHO will not meet all cash outflow obligations as they come due. SAHO maintains sufficient cash and short term investments to discharge future obligations as they come due. The membership fee structure is reviewed annually and is approved by the Board of Directors. Membership fees are used to base operational funding for the upcoming year.

In addition to cash and short term investments, SAHO has an uncommitted revolving demand operating facility agreement (demand credit facility) with a Canadian chartered bank. For the year ended March 31, 2012 SAHO did not use this facility. The amount available under this credit facility, and resources generated from operating activities, in management's opinion, are sufficient to fund operations.

The estimated contractual maturities of SAHO's financial liabilities at March 31, 2012 are:

- up to two months for accounts payable; and
- one to twelve months for unearned revenues.

4. CAPITAL ASSETS

			Net Book Value	
	Cost	Accumulated Amortization	2012	2011
Leasehold Improvements	$ 325,100	$ 186,500	$ 138,600	$ 175,800
Furniture and Equipment	1,590,800	1,520,900	69,900	103,400
Computer Equipment	2,086,800	2,012,500	74,300	15,400
	$ 4,002,700	$ 3,719,900	$ 282,800	$ 294,600

4. CAPITAL ASSETS (continued)

For the year ended March 31, 2012 total amortization of $105,300 (2011 – $103,200) is included in the Unrestricted Fund in Schedule 1 and the Statement of Operations as Administration expenses.

5. UNEARNED REVENUE

	2012	2011
Membership revenue	859,100	912,400
Nursing Information System of Saskatchewan (NISS) membership revenue	-	27,600
Support Costs Staff Scheduling Project	64,800	62,300
Workshop/Misc. revenue	8,500	11,200
	$ 932,400	$ 1,013,500

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent contributions received specific to programs expenditures to be incurred in future periods.

	Balance, Beginning of Year	Recognized during the Year	Amount Received	Investment Revenue Restricted	Balance, End of Year
Funded by the Ministry of Health:					
Nursing Program	$ 9,188,400	$ (4,195,000)	$ 29,900	$ 52,800	$ 5,076,100
Labour Adjustment Strategy	910,300	(92,300)	-	8,100	826,100
MDS Software	1,047,800	(134,700)	174,000	-	1,087,100
Provincial Grievance Arbitration and Management	502,300	(502,300)	-	-	-
Joint Job Evaluation	256,700	(94,200)	550,000	-	712,500
SAHO/Health Shared Services	1,000,000	(1,997,500)	8,215,800	-	7,218,300
GPS Emergency Medical	1,000,000	-	-	-	1,000,000
Surgical Intiatives	1,350,000	(1,356,400)	-	6,400	-
Other programs	770,900	(926,600)	873,800	-	718,100
Funded by other sources:					
CUPE Employment Strategy	2,330,600	(1,258,400)	1,196,100	28,200	2,296,500
HRMS Enhancements	145,000	(346,300)	340,600	-	139,300
Employee Benefit Plans	191,800	(48,500)	62,800	1,800	207,900
Health Spending	-	(612,100)	1,817,100	-	1,205,000
Other programs	276,000	(1,037,800)	1,199,700	-	437,900
Total	$ 18,969,800	$ (12,602,100)	$ 14,459,800	$ 97,300	$ 20,924,800

6. DEFERRED CONTRIBUTIONS (continued)

Details of the deferred contributions included in the above table are as follows:

(i) Nursing Program
The Nursing Program deferred contributions represent amounts received from the Ministry of Health for the SUN/Health Region Nursing Retention and Recruitment Program, to recognize the partnership agreement between the Government of Saskatchewan and the Saskatchewan Union of Nurses signed on February 28, 2008. The amount is intended to provide and enhance the accountability for achieving an incremental complement of 800 full time nursing equivalents within the health region system by March 31, 2013. The amount will provide funding to the regional health authorities for the first year salary costs associated with a sustained increase in straight-time nursing.

(ii) Labour Adjustment Strategy
The Labour Adjustment Strategy deferred contributions represent amounts received from the Ministry of Health for the Career Adjustment Assistance Program, intended to assist health care sector employees affected by layoffs. Amounts are made available in the form of training/retraining assistance or career assistance options, which include career counseling, alternate employment, training courses, relocation assistance and enhanced severance.

(iii) MDS Software
The MDS Software deferred contributions represent amounts received from the Ministry of Health for the ongoing support and implementation of the Minimum Data Set (MDS) for long term care and home care on behalf of all regional health authority boards. In addition to purchasing system support and training, the amounts are used to purchase licenses for MDS software on behalf of regional health authority boards and, in conjunction with the Ministry of Health, works to develop new MDS initiatives as required by regional health authorities.

(iv) Provincial Grievance Arbitration and Management
The Provincial Grievance Arbitration and Management deferred contributions represent amounts received from the Ministry of Health to assist in the oversight and management of the grievance/arbitration process on a provincial basis. The revenue for this program is expended based on directions by the Ministry of Health.

(v) Joint Job Evaluation
The Joint Job Evaluation (JJE) deferred contributions represent amounts received from the Ministry of Health for expenditures related to the on-going in-scope JJE/Classification process, to ensure the maintenance of the equitable compensation practices and equitable wage relationships developed through the JJE project.

(vi) SAHO/Health Shared Services
The SAHO/Health Shared Services deferred contribution represents amounts received from the Ministry of Health to support future initiatives for shared services within the Saskatchewan health care system.

(vii) GPS Emergency Medical
The GPS Emergency Medical deferred contribution represents amounts received from the Ministry of Health to support the review and replacement of GPS equipment in the province's ambulances.

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
Notes to Financial Statements
March 31, 2012

6. **DEFERRED CONTRIBUTIONS (continued)**

(viii) Surgical Initiatives
The Surgical Initiatives deferred contribution represent contributions received from the Ministry of Health to be paid out to regional health authorities: that have achieved their Extended Surgical Targets for 2011-12; to support unfunded pressures identified by a region that could impede their ability to achieve their surgical volumes or targets in 2011-12; and to assist regions to further any of the Saskatchewan Surgical Initiatives goals. This initiative was substantially completed on March 31, 2012 with the excess funds disbursed in April 2012.

(ix) CUPE Employment Strategy
The CUPE Employment Strategy deferred contributions represent amounts administered by SAHO on behalf of the C.U.P.E. Provincial Employment Strategy Committee (the Committee), which was established by Article 23 of the C.U.P.E./SAHO Collective Agreements dated April 1, 2001, April 1, 2005 and April 1, 2008. The Committee is funded by the Employment Insurance rate reduction received by the applicable employers who employ C.U.P.E members. The purpose of the Committee is to develop and implement long term strategies for training, re-training and reemployment of C.U.P.E. health care employees to meet current and future human resource needs in order to provide employment security. The Committee incurs expenditures for establishing and providing access to programs and for administrative and committee expenses.

(x) HRMS Enhancements
The HRMS Enhancements deferred contributions represent enhancement fees charged to employers which subscribe to the SAHO Human Resource Management System (HRMS) services. The enhancement fees are specifically charged and deferred for enhancements and acquisition/development of solutions to the HRMS. The use of these enhancement fees is governed by the HRMS Steering Committee which is made up of representatives of the health regions.

(xi) Employee Benefit Plans
The Employee Benefit Plans deferred contributions represent amounts that SAHO holds in trust for employee benefit plans, consisting of the CUPE Rehabilitation Fund in the amount of $165,400 (2011 - $169,100) and the Group Medical Services (GMS) SAHO Retiree Benefits Plan (GMS Plan) in the amount of $42,500 (2011 – $22,700). The purpose of the CUPE Rehabilitation Fund, under the direction of the CUPE Rehabilitation Fund Committee, is to provide financial assistance to eligible C.U.P.E. members who are required to change their occupation as a result of a disability. The funds held for the GMS Plan are received from GMS for administrative expenses that are incurred by SAHO on the GMS Plan's behalf. The GMS Plan is an insured health, dental and travel benefit plan for retirees of SAHO or its member organizations.

(xii) Health Spending
The Health Spending deferred contributions represent amounts received from participating employers on behalf of out-of-scope employees. These contributions can be used to reimburse the participating employee and their spouse/dependents for any out-of-pocket health and dental expenses that are not covered by the SAHO Out-of-Scope Extended Health/Enhanced Dental Plan but meet the requirements of a medical expense in accordance with the *Income Tax Act*.

7. INTERNALLY RESTRICTED FUNDS

During the year, $19,800 was spent with Board approval on a payroll system control audit (2011 – $2,300 was spent on finalizing the Saskatoon office transition). The following restrictions were authorized by the Board: up to $60,000 for external penetration testing of SAHO's computer network; up to $50,000 for an audit report on the controls over the payroll system iHRIS; and $75,500 for future initiatives.

Subsequent to year end, the Board approved the use of $400,000 previously restricted funds for: the implementation of VOIP system for $250,000; the transition of SAHO to 3sHealth (see Note 15) for $100,000; and another $50,000 for next year's audit report on the payroll system. The Board also unrestricted $71,000 previously restricted for future bargaining to facilitate the transfer of these funds to SAHO Inc. (see Note 15). In addition, the Board also restricted the entire 2011-2012 operating surplus for future initiatives that will be approved by the Board.

8. CONTINGENCIES

SAHO is named as a defendant in certain lawsuits relating to the employee benefit plans. Although the outcomes of such lawsuits are not determinable as of the date of these financial statements, in the opinion of management, they will not materially impact SAHO's operations, and no provision has been made for them in the accounts.

9. EMPLOYEE BENEFIT PLANS TRANSACTIONS AND ASSETS UNDER ADMINISTRATION

Included in these financial statements are expenses of $5,137,100 (2011 – $5,338,500) relating to the operation of the employee benefit plans (EBP). These expenses are fully recovered and are reflected in the Statement of Operations as Cost Recoveries - Employee Benefit Plans. Accounts receivable includes $748,200 (2011 – $509,500) due from EBP's while accounts payable includes $233,900 (2011 – $243,300) related to expenses for the EBP's.

The fair value and the surplus/deficit of the EBP's under SAHO's administration at December 31 are:

	2011		2010	
	Fair Value	Surplus	Fair Value	Surplus/(Deficit)
Disability Income Plan - CUPE	$ 34,471,900	$ 3,584,000	$ 30,953,200	$ 456,000
Disability Income Plan - SBU	34,413,000	12,265,100	33,429,300	11,561,000
Disability Income Plan - General	36,572,600	12,896,500	35,415,800	13,980,300
Disability Income Plan - SUN	39,561,100	3,844,700	32,098,900	(5,530,400)
Core Dental Plan	14,916,500	12,710,700	12,855,800	10,584,900
In-Scope Extended Health / Enhanced Dental Plan	79,209,500	76,906,600	62,887,300	60,903,900
Out-of-Scope Extended Health / Enhanced Dental Plan	6,818,500	6,600,100	5,567,900	5,374,500
Group Life Insurance Plan	28,453,400	6,838,700	24,093,100	3,701,400
	$ 274,416,500	$ 135,646,400	$ 237,301,300	$ 101,031,600

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
Notes to Financial Statements
March 31, 2012

10. PENSION

Eligible SAHO employees participate in the Saskatchewan Healthcare Employees' Pension Plan (SHEPP), a multi-employer defined benefit pension plan. SAHO's financial obligation as it relates to SHEPP is limited to making the required monthly contributions equivalent to 112% of the amount contributed by SAHO employees for current service. Pension expense for the year amounted to $536,300 (2011 – $488,200).

11. BOARD EXPENSES

SAHO Board Members incurred the following travel and per diem expenses for the year ended March 31, 2012. Amounts reimbursed by SAHO, which are recorded in Administration expenses in the Statement of Operations, are as follows:

Board Member	Travel	Per Diems	Total
Brenda Abrametz	$ 2,000	$ 2,400	$ 4,400
Richard Anderson	2,600	3,400	6,000
Sharon Bauche	1,600	2,900	4,500
Kathy Bedard	2,700	3,600	6,300
Lloyd Boutilier	-	1,600	1,600
Tyler Bragg	1,900	2,400	4,300
Elizabeth Collicott	200	800	1,000
Duane Favel	300	-	300
Velma Geddes	1,200	3,100	4,300
Karen Knelsen	3,200	6,700	9,900
Greg Kobylka	2,200	18,300	20,500
Dr. J. McMillan	100	2,600	2,700
Bonnie O'Grady	6,200	7,600	13,800
Jim Rhode	1,600	2,400	4,000
Don Shanner	100	400	500
Robert Wood	700	1,200	1,900
Ron Woytowich	4,600	5,400	10,000
Total	$ 31,200	$ 64,800	$ 96,000

12. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties. SAHO is indirectly related to all Saskatchewan Crown agencies such as ministries, corporations, boards, and commissions under the common control of the Government of Saskatchewan. SAHO is also indirectly related to non-Crown enterprises that the Government jointly controls or significantly influences.

Transactions with these related parties are in the normal course of operations. Amounts due to or from and the recorded amounts of transactions resulting from these transactions are included in the

12. RELATED PARTY TRANSACTIONS (continued)

financial statements and the table below. They are recorded at the agreed upon exchange rates charged by those organizations and are settled on normal trade terms.

	2012	2011
Revenue		
Regional Health Authorities	$ 12,205,000	$ 5,668,900
Ministry of Health	9,978,000	16,899,900
Saskatchewan Cancer Agency	244,600	159,700
Ministry of Finance	221,100	135,000
eHealth Saskatchewan	119,200	148,000
Saskatchewan Healthcare Employees' Pension Plan	76,500	72,700
	$ 22,844,400	$ 23,084,200
Expenses		
Regional Health Authorities	$ 6,838,400	$ 24,079,200
Saskatchewan Healthcare Employees Pension Plan	958,400	488,200
Ministry of Finance	145,300	-
eHealth Saskatchewan	116,300	95,800
SaskTel	108,900	87,300
	$ 8,167,300	$ 24,750,500
Accounts Receivable		
Regional Health Authorities	$ 3,631,800	$ 662,800
Ministry of Health	653,200	6,400
eHealth Saskatchewan	75,300	8,300
Ministry of Finance	55,700	52,100
	$ 4,416,000	$ 729,600
Accounts Payable		
eHealth Saskatchewan	$ 100,000	$ 16,300
Regional Health Authorities	52,900	21,800
	$ 152,900	$ 38,100

SAHO pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all of its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
Notes to Financial Statements
March 31, 2012

13. ALLOCATION OF EXPENSES

Lease and personnel costs allocated to departments totalled $1,428,700 (2011 – $1,332,500) as follows:

	2012	2011
Administration	$ 199,800	$ 197,700
Employee Benefit Plans	536,700	494,300
Information Services	211,600	189,000
Labour Relations	453,600	424,500
Member Relations & Communications	27,000	27,000
	$1,428,700	$1,332,500

14. FUTURE COMMITMENTS

SAHO has entered into agreements to lease office space in Regina and Saskatoon. The lease for the Regina office is for a period of 10 years, expiring in 2016. The lease for the Saskatoon office is for six years that also expires in 2016. SAHO is also responsible for its proportionate share of operating costs of the building and property taxes under these leases. The future minimum lease payments, in each fiscal year, are as follows:

2013	238,500
2014	238,500
2015	238,500
2016	197,700

15. SUBSEQUENT EVENTS

On April 17, 2012 SAHO's membership approved amended bylaws. The membership also approved changing the operating name to Health Shares Services Saskatchewan (3sHealth). 3sHealth will be governed by the Governing Council, which has representatives from the twelve Regional Health Authorities and the Saskatchewan Cancer Agency. The Governing Council will appoint and provide direction to 3sHealth's nine member board of directors. 3sHealth will provide selected administrative and support services through a shared services model to the health system in Saskatchewan.

SAHO membership also approved the transfer of the labour relations services, including collective bargaining, from 3sHealth to a new independent entity called SAHO Inc. effective April 17, 2012.

16. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
Schedule 1 - Schedule Of Expenses By Expense Type
For the year ended March 31

	(unaudited) 2012 BUDGET	2012	2011 (Note 16)
UNRESTRICTED FUND			
Administrative Service Contracts - Employee Benefit Plans	$ 821,000	$ 803,800	$ 788,100
Advertising and promotional	30,400	328,500	335,900
Amortization	93,000	105,300	103,200
Audio-visual programs	200	1,800	-
Bank charges	8,000	5,800	6,200
Building expenses	657,600	681,400	609,000
Conference and annual meeting	181,200	196,600	203,300
CUPE Employment Strategy	1,369,100	1,256,000	1,171,300
Equipment and computers	346,200	217,400	292,700
Fund managers - Employee Benefit Plans	515,900	224,200	399,200
Insurance	61,000	36,000	39,600
Joint Job Evaluation	610,700	544,300	588,400
Labour adjustment strategy	100,000	92,300	51,500
Legal	224,700	611,500	648,700
Membership fees	99,100	81,400	94,600
Nursing program	-	4,195,000	12,435,000
Office expenses	64,500	80,800	77,400
Pandemic supplies	-	-	252,600
Postage and courier	135,200	169,800	168,400
Printing	78,800	22,100	37,500
Professional services	218,600	720,300	567,000
Professional services - Employee Benefit Plans	1,083,700	683,900	1,048,700
Project management office	274,900	310,000	116,400
Provincial bargaining	198,100	320,200	210,400
Purchasing Rebates	-	1,237,500	533,600
Salaries and related benefits	6,940,700	7,312,100	6,390,000
Shared Services Office	67,600	6,147,000	761,300
Staff scheduling project	613,700	478,700	376,000
Subscriptions and publications	24,000	43,500	34,000
System support and development	1,126,500	1,238,600	1,056,800
Telephone	85,500	80,500	69,100
Travel - board and expenses	126,500	105,500	113,000
Travel - committee and expenses	91,500	112,100	81,300
Travel and training - staff	441,600	270,100	242,300
WSI/HRSDC Career Pathing Project	-	-	37,400
Workshops	-	29,600	514,200
	$ 16,689,500	**$ 28,743,600**	**$ 30,454,100**
INTERNALLY RESTRICTED FUND			
Building expenses		$ -	$ 2,300
Professional services		19,800	-
		$ 19,800	**$ 2,300**

See accompanying notes

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